STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

Landcar Life Insurance Company

of

Sandy, Utah

as of

December 31, 2005

Table of Contents

May 10, 2007

Honorable Alfred W. Gross, Commissioner
Chair, Financial Condition (E) Committee, NAIC
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
PO Box 1157
Richmond, Virginia 23218

Honorable Kent Michie, Commissioner
Secretary, Western Zone
Utah Department of Insurance
State Office Building, Room 3110
Salt Lake City, Utah 84114-1201

Commissioner

Pursuant to your instructions and in compliance with Utah Code Annotated (U.C.A.) Title 31A, an examination was conducted as of December 31, 2005 of the financial condition and business affairs of

LANDCAR LIFE INSURANCE COMPANY
Sandy, Utah

hereinafter referred to as (the Company).

The following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last financial examination of the Organization was conducted as of December 31, 2002. The current examination covers the period from January 1, 2003, through December 31, 2005, including any material transactions and/or events occurring subsequent to the examination date noted during the course of the examination.

Examination Procedure Employed

This examination was conducted under the association plan of the National Association of Insurance Commissioners (NAIC), in accordance with the NAIC Financial Condition Examiners Handbook. The Utah Insurance Department (the Department) represented the Western Zone. The examination included a general review and analysis of the Company's operations, the manner in which its business was conducted during the examination period and a determination of its financial condition as of December 31, 2005. This included tests of accounting records and a review of the Company's affairs and practices to the extent deemed necessary. Material assets were valued and ownership verified, and liabilities were determined in accordance with the laws, rules and procedures prescribed by the state of Utah.

The Company retained the services of a certified public accounting firm to audit its financial records for the years under examination. The firm provided working papers prepared in connection with its audits. The working papers were reviewed, and in many cases, relied upon and used for examination.

A letter of representation obtained from management certified that all significant matters were disclosed and all records were provided for examination.

The examination relied on the findings of the actuarial firm employed by the Company to verify: 1) Aggregate reserves for life and accident and health; 2) Liability for policy and contract claims; and 3) Provision for experience rating refunds. The examination tested the records for completeness and the accuracy of the underlying data used to establish reserve amounts.

Status of Prior Examination Findings

Adverse findings noted in the prior report of examination were either adequately addressed by the Company or are identified as repeat exceptions in this report.

HISTORY

General

The Company was incorporated on September 10, 1980, under the laws of the state of Arizona and was granted authority to transact business as a credit life reinsurer. Operations commenced on January 19, 1981. Re-domestication was granted and authority to transact business in the state of Utah was granted by the Utah Insurance Department, effective December 31, 1985. Authority granted, was for the lines of insurance: life, annuity, and disability. As of December 31, 2005, the Company has authority to operate in six other states: Arizona, Colorado, Idaho, New Mexico, Oregon and Texas.

The Company is a stock life insurance company.

Capital Stock

As of December 31, 2005, 1,000,000 shares of common stock with a $10 par value, were authorized with 100,000 shares issued and outstanding. All outstanding stock was held by the Larry H. Miller family.

Dividends to Stockholders

During the year ended December 31, 2003, the Company distributed $1,000,000 in cash dividends to shareholders.

Management

Management of the Company is vested in its board of directors. Members of the board of directors as of December 31, 2005:

Name and Residence	Principal Occupation
Lawrence H. Miller Salt Lake City, Utah	Secretary – Treasurer Larry H. Miller Group
Karen G. Miller Salt Lake City, Utah	President Larry H. Miller Group
Bryan J. Miller Sandy, Utah	Vice President Larry H. Miller Group
Gregory S. Miller Sandy, Utah	Senior Vice President Larry H. Miller Group
Roger L. Miller Draper, Utah	Vice President Larry H. Miller Group
Stephen F. Miller Salt Lake City, Utah	Vice President Larry H. Miller Group
Karen R. Williams Grantsville, Utah	Vice President Larry H. Miller Group

Officers of the Company as of December 31, 2005, were:

Name	Title
Karen G. Miller	President
Lawrence H. Miller	Secretary – Treasurer
Bryan G. Miller	Vice President
Gregory S. Miller	Vice President
Roger L. Miller	Vice President
Stephen F. Miller	Vice President
Karen R. Miller	Vice President

As of December 31, 2005, there were no committees of the Board of Directors. The operations of the Company are administered by a general manager.

Conflict of Interest Procedure

Annual conflict of interest statements were submitted to the Company by all members of the board of directors, elected officers of the board of directors, general manager and accounting manager.

Corporate Records

Minutes of the annual meetings of the shareholders and minutes of the quarterly meetings of the Board of Directors were reviewed. Based on the review, the Company operates within the scope of its authority, the directors are properly informed of the transactions and affairs and participate in the management of operations. Investment transactions for the previous quarter are reviewed and approved.

The report of examination as of December 31, 2002, was reviewed and discussed by the Board of Directors, as required by U.C.A. §31A-2-204(8), during the meeting held on January16, 2004.

Acquisitions, Mergers, Disposals, Dissolutions and Purchase or Sales through Reinsurance

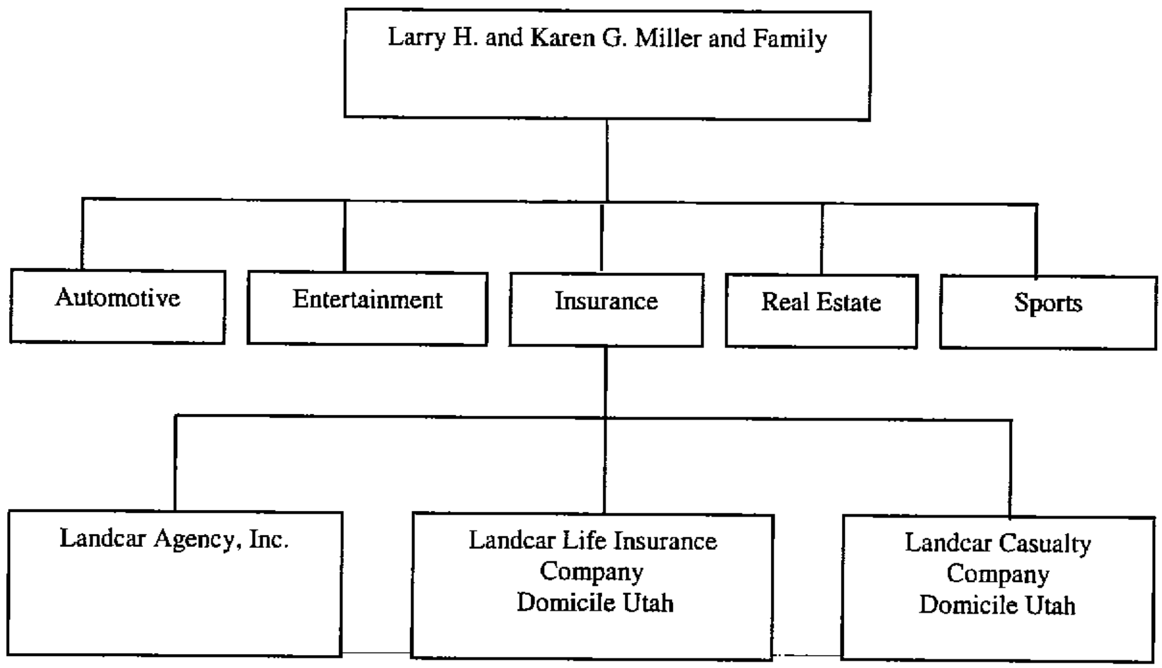
There were no acquisitions, mergers, disposals, dissolutions and purchases or sales through reinsurance noted that involved the Company during the examination period.

Surplus Debentures

As of December 31, 2005, the Company was not party to any surplus debentures.

AFFILIATED COMPANIES

As of December 31, 2005, Lawrence H. and Karen G. Miller and family own the Company. As such the insurer is a member of an insurance holding company system as described below:



Transactions with Affiliates

Pursuant to a written cost sharing agreement between the Company and its affiliate Landcar Casualty (LCC), office facilities, personnel and operating expenses are shared. The Company was reimbursed by LCC monthly. Costs are reviewed and settled at the end of each year.

During the period under examination the Company's transactions with affiliates were as follows:

- Acquired and sold mortgage loans and other securities

- Participated in a cash management account where excess cash from all affiliates is pooled for investment, as mandated by the controlling person. At the end of a reporting period, these funds are returned to the Company. As of December 31, 2005, the Company owed $74,000 to the account.

- Provided mortgage loans on real estate.

- Marketed insurance products to customers of affiliated automobile dealerships.

Insurance holding company registration statement were filed with the Utah Insurance Department as required by U.C.A. §31A-16-105.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured under a policy providing $1,000,000 coverage of losses associated with employee dishonesty. This coverage is in excess of the $250,000 minimum fidelity coverage suggested by the NAIC.

The Company is also a named insured under other policies providing coverage of losses associated with other risks of doing business.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company provides a 401(k) defined contribution plan for eligible employees. All employees of the Company with service of over one year are eligible to participate in the plan. The Company pays an amount equal to 50% of the employee's contribution up to 6% of the employee's salary. The Company's contribution to the plan for the years ended December 31, 2005, 2004, and 2003 was $14,474, $14,447, and $16,848, respectively.

The Company also makes medical and dental benefits coverage available. The employee portion of the premium varies depending on the plan and coverage selection. The employee premiums are collected through a payroll deduction each pay period. To be eligible to participate in the benefit plan the employee must be classified as full-time and work a minimum of 32 hours per week.

STATUTORY DEPOSITS

As of December 31, 2005, the Company maintained a deposit in behalf of the Department , in an amount equal to its minimum capital requirement of $400,000, as required by U.C.A § 31A-4-105. Deposits maintained in behalf of regulatory agencies as of December 31, 2005 were as follows:

State	Description	Statement Value	Fair Value
For the benefit of all policyholders:			
Utah	Federal Home Loan Bank	$1,550,000	$1,509,156
Not for the benefit of policyholders:			
New Mexico		102,000	104,741
Texas		200,000	195,250
Utah	FHLMC	160,000	157,050
		$2,012,000	$1,966,197

INSURANCE PRODUCTS AND RELATED PRACTICES

Policy Forms

The Company writes credit life and credit disability insurance. The limit on any single risk is $100,000. Policy forms were consistent with forms filed with the Department as required by U.C.A §31A-21-201(1).

Territory and Plan of Operation

As of December 31, 2005, the Company was authorized to transact life and disability insurance business in the states of Arizona, Colorado, Idaho, New Mexico, Oregon, Texas, and Utah. Operations are conducted in all authorized states except the state of Texas.

The company's primary source of business is customers of automobile dealers. Approximately 98% the business is generated from dealerships owned by the Larry H. Miller Family, the owner of the company. The remaining two percent is generated by outside dealerships.

Advertising and Sales Material

As of December 31, 2005, the Company did not utilize commercial advertising. The marketing of the Company's insurance products is performed during the sale of automobiles by automobile dealerships. Each dealership employs a minimum of one agent licensed by the state's regulatory agency.

Treatment of Policyholders

No complaints were filed with the Department during the three years ended December 31, 2005. No items of concern were encountered during the course of the examination.

REINSURANCE

As of December 31, 2005, the Company did not accept or cede reinsurance. Reinsurance accepted and in force as of December 31, 2002 was canceled.

ACCOUNTS AND RECORDS

The Company's accounting system is electronic, designed and programmed to extract reports from a database consisting of historical records for all contracts of insurance and other financial transactions generated by operations. The system provides those reports, hardcopy or electronically, required to adequately account for the business conducted.

U.C.A. § 31A-4-113(1) requires that each authorized insurer file a true statement of its financial condition and affairs as of December 31 of the preceding year in accordance with the annual statement instructions and the accounting practices and procedures published by the NAIC. The NAIC annual statement instructions provide "…a statement is not considered filed unless the information therein is complete and accurate."

Exceptions encountered during examination:

1. Compliance with Instructions to Annual Statement

   Notes to Financial Statements No. 31 of the 2005 Annual Statement did not disclose the information required by paragraph 31 of the Notes to Financial Statements section of the NAIC Annual Statement Instructions

   All transactions with affiliates were not reported in Schedule Y, Part 2 of the Annual Statements filed during the period under examination. Instructions found on Page 292 of NAIC Annual Statement Instructions provides in part:

> ...All insurer members of the holding company shall prepare a common schedule for inclusion in each of the individual annual statements. Include transactions between insurers and non-insurers within the holding company system.
>
> - A cash dividend paid to shareholders and the granting of a mortgage to an affiliate.
> - The acquisition of mortgages on real estate from an affiliate.

2. Statutory Compliance

U.C.A §31A-16-106(1)(b) requires that certain transaction involving a domestic insurer and any person in its holding company system may not take place unless the insurer has notified the commissioner, in writing, of its intention to enter into the transaction at least 30 days prior to entering into the transaction.

During the period under examination, the Company entered into several transactions requiring notice to the commissioner 30 days prior to the effective date. The notices were filed subsequent to the date the transactions were completed. The required notice was not filed for a mortgage sold to an affiliate during the year ended December 31, 2005.

U.C.A §31A-4-108 (1) requires that insurers hold all investments and deposits of its funds in its own name except securities kept under a custodial agreement or trust arrangement with a bank or certain other qualified institutions. U.A.C. Rule R590–178 provides guidance for standards of control a custodial agreement must meet.

As of December 31, 2005, the Company's investments in bonds and stocks were held in accounts with a bank and a stock broker. The custodial agreement with the bank did not contain the required standards of control. There was no agreement with the stock broker.

U.A.C R590-178-5.B provides: "Custodial securities held in violation of this rule shall be excluded when determining and reporting financial condition of insurers." The Company reported an investment in bonds and stocks of $17,386,266. Securities for $15,901,334 were held by institutions in violation of the rule

Prior to the conclusion of the examination, the Company negotiated custodial agreements which comply with both statute and rule. As a result the Utah Insurance Department waived the requirement that the assets be excluded.

FINANCIAL STATEMENTS

The following financial statements were prepared from the Company's accounting records and the valuations and determination made during the examination:

Balance Sheet as of December 31, 2005

Summary of Operations for the Year Ended December 31, 2005

Reconciliation of Capital and Surplus – 2003 through 2005

The accompanying notes to financial statements are an integral part of these statements.

Landcar Life Insurance Company
Balance Sheet
As of December 31, 2005

ASSETS

Bonds	$ 7,625,996
Preferred stocks	4,463,100
Common stocks	5,297,170
First liens - mortgage loans on real estate	12,945,665
Cash, cash equivalents and short-term investments	43,797
Other invested assets	228,457
Investment income due and accrued	277,103
Uncollected premiums	116,386
Receivables from parent, subsidiaries and affiliates	18,027
Total	$31,015,701

LIABILITIES, SURPLUS AND OTHER FUNDS

Aggregate reserve	
Life contracts	$6,423,092
Accident and health contracts	4,051,858
Contract claims	
Life	65,665
Accident and health	38,571
General expenses due or accrued	51,874
Taxes, licenses and fees due or accrued, excluding federal income taxes	27,785
Current federal and foreign income taxes	44,518
Net deferred tax liability	58,099
Amounts withheld or retained by company as agent or trustee	19,109
Asset valuation reserve	1,406,546
Payable to parent, subsidiaries and affiliates	74,000
Total liabilities	12,261,117
Capital and surplus	
Common capital stock	1,000,000
Unassigned funds (surplus)	17,754,584
Total capital and surplus	18,754,584
Total liabilities and capital and surplus	$31,015,701

Landcar Life Insurance Company
Summary of Operations
For the Year Ended December 31, 2005

Premiums and annuity considerations for life and accident and health contracts	$4,536,827
Net investment income	1,627,416
Miscellaneous income	30
Total	6,164,273
Death benefits	336,738
Disability benefits and benefits under accident and health contracts	406,113
Increase in aggregate reserves for life and accident and health contracts	680,624
Total	1,423,475
Commissions on premiums, annuity considerations and deposit-type contract funds (direct business only)	1,945,003
Commissions and expense allowances on reinsurance assumed	(471)
General insurance expenses	639,385
Insurance taxes, licenses and fees, excluding federal income taxes	141,999
Total	4,149,391
Net gain from operations before dividends to policyholders and federal income taxes	2,014,882
Federal and foreign income taxes incurred (excluding tax on capital gains)	259,675
Net gain from operations after dividends to policyholders and federal income tax and before realized capital gains and (losses)	1,755,207
Net realized capital gains or (losses) less capital gains tax of $10,953	62,067
Net income (net gain from operations after dividends to policyholders plus net realized capital gains or (losses)	$1,817,274

Landcar Life Insurance Company
Reconciliation of Capital and Surplus
For the Years Ended December 31,

	2,003	2004	2005
Capital and surplus, December 31, prior year	$14,360,378	$15,581,092	$17,437,234
Net income	1,686,110	1,724,308	1,817,274
Change in net unrealized capital gains or (losses)	824,168	239,780	(249,241)
Change in net deferred income tax			(58,099)
Change in non admitted assets and related items		18,161	44,937
Change in asset valuation reserve	(289,564)	(126,107)	(237,476)
Miscellaneous adjustment for schedule BA assets			(45)
Dividends to stockholders	(1,000,000)		
Net change in capital and surplus for the year	1,220,714	1,856,142	1,317,350
Capital and surplus, December 31, current year	$15,581,092	$17,437,234	$18,754,584

NOTES TO FINANCIAL STATEMENTS

There are no notes to financial statements.

CAPITAL AND SURPLUS

The Company reported surplus of $17,754,584 in its annual statement as of December 31, 2005. Adjustment as a result of examination findings was unnecessary.

As of December 31, 2005, the Company's permanent surplus requirement was $400,000, as required by U.C.A. § 31A-5-21.

The Company reported total adjusted capital (TAC) and authorized control level risk-based capital (ACL) as defined by U.C.A § 31A-17 Part 6, of $20,161,130 and $1,317,910, respectively.

SUMMARY OF EXAMINATION FINDINGS

The following is a summary of examination findings and information of special significance:

1. The Company failed to comply with the NAIC Annual Statement Instructions, as required by U.C.A. § 31A-4-113. (ACCOUNTS AND RECORDS)

   It is recommended that the Company develop and document procedures based on instructions contained in the NAIC Annual Statement Instructions, including procedures based on instructions in the Manual of the NAIC SVO, to be used when completing the relevant schedules of annual and quarterly statement filings made with the Department.

2. The Company failed to comply with U.C.A.§ 31A-16-106(1) which requires that the commissioner receive advance notice of certain transactions involving a domestic insurer and any person in its holding company system, prior to the insurer entering into the transaction.

3. The Company failed to comply with U.C.A. § 31A-4-108(1), which requires that insurers hold all investments in its own name except securities kept under custodial agreements. . (ACCOUNTS AND RECORDS)

4. The Company failed to comply with U.A.C. Rule R590-178-5.B which requires the exclusion of securities held in violation of this rule when determining and reporting financial condition of insurers. (ACCOUNTS AND RECORDS)

   Prior to the conclusion of the examination, the Company executed custodial agreements which comply with both statute and rule. As a result the Utah Insurance Department waived the requirement that the assets be excluded.

ACKNOWLEDGEMENT

We acknowledge the assistance and cooperation extended during the course of the examination by officers, employees and representatives of the Company. In addition to the undersigned, Colette Reddoor, CFE, CPM, Assistant Chief Examiner, Dan Applegarth, CPA, CFE, Financial Analyst, and John Kay, CFE, representing the Utah Insurance Department, participated in the examination.

Respectfully submitted,

Larry H. Whitlock, CPA, CFE
Examiner In Charge
Utah Insurance Department